

March 20, 2009

SIGNAL PEAK ENERGY COAL LEASE APPLICATION

PURPOSE OF THE BRIEFING DOCUMENT:

Signal Peak Energy LLC has submitted an application to lease federal coal from approximately 2,700 acres in Musselshell County, Mont.

ISSUES:

Signal Peak Energy LLC is actively engaged in underground coal mining in Musselshell and Yellowstone counties, Mont. The proposed federal coal lease would be applied to the dedicated reserve base of the Bull Mountains Mine No. 1 and would allow the mine to fully implement the life of mine plan which features longwall mining.

Surface facilities associated with the Bull Mountains Mine No. 1 would provide mine servicing, mineral handling, coal cleaning and storage, coal transport by railroad, soil and spoil storage, waste disposal, and water and air pollution control. These facilities are currently being constructed.

The Bull Mountains Mine No. 1 began in 1992, through conversion of a surface mine to underground development and has been producing one million tons annually. With full development of the life of mine plan, the company anticipates annual production of 12 million tons of saleable clean coal and continuation of employment for 200 workers currently employed at the mine.

The federal coal lease areas are within the mining sequence for large blocks of private coal reserves. Based on projected annual coal production, Signal Peak estimates that underground mining would reach the first of the federal coal lease areas within three years.

MAIN DECISION OR MESSAGE:

With concurrence from BLM, Signal Peak has selected a third party contractor to prepare a NEPA document to analyze the effects of issuing the coal lease. In addition, the company and BLM have worked together to prepare a memorandum of understanding and preparation plan for the NEPA document.

BUREAU PERSPECTIVE:

Public interest in the Bull Mountain Mine No. 1 is moderate to high. The mine employs approximately 200 people and is a very important source of revenue for Musselshell County.

CONTACT:

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